

United Coke Private Limited

Instrument	Amount Rated	Rating Action
Cash Credit [^]	(Rs. 5.00 crore)	[ICRA]B+ reaffirmed
Letter of Credit	Rs. 35.00 crore	[ICRA]A4 reaffirmed

[^] sub limit of LC

ICRA has reaffirmed the long-term rating assigned to the Rs. 5.00-crore fund-based facilities of United Coke Private Limited (UCPL) at [ICRA]B+ (pronounced ICRA B Plus). It has also reaffirmed the short-term rating assigned to the Rs. 35.00-crore non-fund based facilities of UCPL at [ICRA]A4 (pronounced ICRA A Four).

The ratings reaffirmation takes into account the weak financial risk profile of UCPL as is evident from the operating losses suffered in FY2016 because of pricing disparities, low profitability and modest debt coverage indicators. The ratings also take into consideration the higher inventory levels, on account of bulk buying of coking coal in order to avail discount, which has lead to higher working capital intensity. The rating further takes into account the vulnerability of profitability to exchange rate fluctuations as more than 95% of its raw material is imported. The rating is further constrained by UCPL's exposure to the cyclical nature inherent in the coke industry and volatility in the prices of both coke and coking coal, keeping its profitability and cash flows volatile and under pressure in the near-to-medium term.

The rating, however, favourably takes into account the long track record of the company in the coke manufacturing business.

ICRA expects the future ratings to be derived from UCPL's ability to maintain growth and profitability amid volatile price movements, uncertain demand in steel industry and forex fluctuations. Liquidity position of the company is expected to be contingent on profitability and stocks levels maintained.

Company Profile

United Coke Private Limited is a part of the Bhavnagar-based UB Aggarwal Group. The company is engaged in the production of low ash metallurgical coke. The business operations are carried out from Bhavnagar. The manufacturing unit, with a capacity of 54,000MT, is located in Anjar, near Kandla port.

The group is also involved in other businesses such as ship breaking (Guru Ashish Shipbreakers), steel re-rolling (Hans Industries Pvt Ltd, Aggarwal & Co. & Arihant Industries) and scrap trading.

Recent Results

The company has reported an operating income of Rs. 49.35 crore and s profit after tax of Rs. 0.11 crore in FY2016.

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